

## Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

SAL-01 SS-14 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-09 NSAE-00 TRSE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 PA-03 PRS-01 USIA-12 IO-12 GAC-01 AGR-20

RSR-01 /186 W

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R 231842 Z MAR 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9977

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 03511

PASS TREASURY, FRB

E. O. 11652: XGDS

TAGS: EEC, UK

SUBJECT: VENUE FOR EC MONETARY FUND

REF: BONN 4134

1. UKTREASURY SOURCE GAVE TREASURY ATTACHE FOLLOWING  
EXPLANATION: UK OPPOSITION TO LUXEMBOURG SITE IS BASED  
ON PRACTICAL CONSIDERATIONS. IN UK VIEW, THE EC  
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MONETARY FUND'S EFFICIENT FUNCTIONING CANNOT BE ASSURED IF IT IS LOCATED IN LUXEMBOURG. THEREFORE, UK POSITION RESPECTS THE 1965 EC AGREEMENT ON LOCATION OF INSTITUTIONS. THE FUND'S OPERATIONS THAT ARE DUE TO BEGIN APRIL 1 ARE SMALL AND INSIGNIFICANT. LONGER TERM, IF THE FUND GETS INTO RESERVE POOLING - AND EC STUDIES ON THIS ARE BEING ACCELERATED - IT WILL BE THE NUCLEUS OF THE COMMUNITY CENTRAL BANK. AS SUCH, IT MUST BE IN CLOSE WORKING CONTACT WITH THE COMMISSION AND THE COUNCIL, AND THESE INSTITUTIONS ARE IN BRUSSELS. THE FUND SHOULD BE TOO.

2. IF THE EC MEMBERS CANNOT DEAL WITH SUCH DECISIONS IN TERMS OF PRACTICAL EFFICIENCY, (I. E., HAVING SITE IN BRUSSELS), IF THEY INSIST ON POLITICAL HORSETRADING, THEN LONDON OR FRANKFURT ARE FAR BETTER SUITED FOR THE SITE OF THE EC CENTRAL BANK THAN IS LUXEMBOURG, WHICH LACKS, INTER ALIA, EFFICIENT PHONE SERVICE AND ADEQUATE INTERNATIONAL TRANSPORTATION FACILITIES.

3. DRAFT EC COUNCIL DECISION SAYS NOTHING ABOUT THE SITE, AND UK IS WILLING TO ACCEPT THIS, I. E., POSTPONE DECISION ON THE VENUE UNTIL IT IS OF PRACTICAL IMPORTANCE. FOR THE MOMENT, OPERATING THE SNAKE WILL IN ANY CASE BE HANDLED (A) BY TELEPHONE BETWEEN VARIOUS NATIONAL CENTRAL BANKS (ONE OF WHICH LUXEMBOURG APPARENTLY LACKS, GIVEN ITS MONETARY UNION WITH BELGIUM) AND (B) IN MONTHLY EC CENTRAL BANKER'S MEETINGS IN BASLE.

4. UK VERY UNHAPPY ABOUT UNFAVORABLE PUBLICITY IT IS RECEIVING, LARGE COUNTRY PUSHING AROUND A SMALLER ONE AND ALL THAT. UK DOES NOT WANT TO HOLD UP EMU (I. E., EUROPEAN MONETARY UNION), IT HAS GREAT RESPECT FOR WERNER, WHO HAS DONE EXCELLENT WORK ON BEHALF OF COMMUNITY. IT DOES HOWEVER ALSO WANT TO SEE AN EFFICIENTLY FUNCTIONING EC MONETARY INFRASTRUCTURE, AND PLACING THE PROSPECTIVE CENTRAL BANK IN LUXEMBOURG MILITATES AGAINST THIS AIM.

5. SOURCE COULD NOT SAY IF EDITORIAL ON SUBJECT IN MARCH 23 LONDON TIMES WAS INSPIRED OR NOT, BUT IT PRETTY ACCURATELY REFLECTS UK VIEWS.

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 03511

PASS TREASURY, FRB

6. TIMES EDITORIAL IN QUESTION MAKES SAME GENERAL POINTS LISTED ABOVE, EXPECTS LUXEMBOURG TO FIGHT HARD TO PLAY HOST TO FUND, BUT SAYS THAT LOGISTICS ARE AGAINST LUXEMBOURG CASE. DURING RECENT DEVALUATION OF DOLLAR, AT CRITICAL MOMENT, TELEPHONE LINES IN LUXEMBOURG WERE OVERLOADED AND IT WAS IMPOSSIBLE TO CONTACT OTHER NATIONAL CAPITALS. THIS IS NOT ALL. ENTIRE COFFERS OF FUND COULD BE EMPTIED WHILE ADMINISTRATORS WERE CAUGHT IN ARDENNES, DASHING BETWEEN BRUSSELS AND LUXEMBOURG. IT IS UNNECESSARY TO COMPOUND PAST ERRORS BY FURTHER  
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SEPARATION OF INSTITUTIONS, ESPECIALLY ONE AT HEART OF MONETARY UNION. BRUSSELS IS THE RIGHT PLACE. IT IS NOT IN COMMUNITIES' BEST INTEREST, IMPOLITE AS IT MAY BE TO SAY SO, FOR THE FUND TO GO TO LUXEMBOURG.

7. COMMENT: MOST OF OUR SENIOR SOURCES ARE CURRENTLY EITHER IN BRUSSELS OR WASHINGTON, WHICH ARE BETTER PLACED THAN LONDON AT THE MOMENT TO DEVELOP FURTHER INFORMATION. IN RECENT CONVERSATIONS, UKTREASURY OFFICIALS HAVE BEEN INCREASINGLY CRITICAL OF EC ADMINISTRATIVE APPARATUS, FAILURE OF COMMISSION STAFF TO PRODUCE PAPERS, MEET DRAFTING DEADLINES, ETC. WHILE WE DO NOT DISMISS ULTERIOR MOTIVES OUT OF HAND, WE KNOW UK IS SINCERELY INTERESTED IN STREAMLINING EC ADMINISTRATIVE APPARATUS AND ULTIMATELY IN GETTING UK SENIOR OFFICIALS INTO EC COMMISSION'S FINANCIAL STRUCTURE. ONE PROBLEM CURRENTLY FACING UK IS IN FINDING OFFICIALS WILLING TO TAKE POSITIONS IN BRUSSELS OR LUXEMBOURG.

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\*\*\* Current Classification \*\*\* CONFIDENTIAL

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BRUSSELS  
COPENHAGEN  
DUBLIN  
EC BRUSSELS  
EUR  
LUXEMBOURG

OSLO  
SECSTATE WASHDC

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